

Excise Taxes and Special Levies Notice

March 2007

Notice to all Licensed Manufacturers and Wholesalers, and Importers of Automobiles

IMPOSITION OF EXCISE TAX ON FUEL-INEFFICIENT VEHICLES

On March 27, 2007, the Minister of Finance, the Honourable Jim Flaherty, tabled a *Notice of Ways and Means Motion to Implement Certain Provisions of the Budget Tabled in Parliament on March 19, 2007*. The Motion includes changes to the non-GST/HST portions of the *Excise Tax Act* (the Act). Under the proposed changes, section 6 of Schedule I to the Act will be amended to impose a new excise tax on certain fuel-inefficient vehicles. This replaces the existing heavy vehicle weight tax, which no longer applies after March 19, 2007.

The fuel-inefficient vehicle tax will apply to automobiles (including station wagons, vans, and sport utility vehicles) designed primarily for use as passenger vehicles, but not including pickup trucks, vans equipped to accommodate 10 or more passengers, ambulances and hearses, in accordance with the vehicle's fuel-efficiency rating.

Calculation and rates of tax

The excise tax on fuel-inefficient vehicles is calculated on the basis of the weighted average fuel consumption rating as determined in accordance with information published by Natural Resources Canada. For purposes of this tax, the weighted average fuel consumption rating is calculated by combining 55% of the city fuel consumption rating with 45% of the highway fuel consumption rating.

A listing of vehicles and associated fuel-efficiency ratings can be found at the following Natural Resources Canada Web site at <http://oee.nrcan.gc.ca/transportation/tools/fuelratings/ratings-search.cfm?attr=8>. For your convenience, a listing of 2007 model year vehicles, their weighted average fuel consumption ratings and associated fuel-inefficient vehicle tax rates can also be found in the accompanying PDF document, titled: Excise Tax on Fuel-Inefficient Vehicles - Listing of Vehicles and Associated Tax Rates.

Automobiles that have a weighted average fuel consumption rating of 13 or more litres per 100 kilometres will be subject to the excise tax at the following rates:

- at least 13 but less than 14 litres per 100 kilometres, \$1,000;
- at least 14 but less than 15 litres per 100 kilometres, \$2,000;

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La version française du présent avis est intitulée *Avis à tous les fabricants et marchands en gros d'automobiles titulaires de licence et aux importateurs d'automobiles – Imposition d'une taxe d'accise sur les véhicules énergivores.*



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Imposition of Excise Tax on Fuel-inefficient Vehicles

- at least 15 but less than 16 litres per 100 kilometres, \$3,000; and
- 16 or more litres per 100 kilometres, \$4,000.

For greater clarity, the formula in the Notice of Ways and Means Motion for calculating an automobile's fuel-efficiency rating is as follows:

$$.55A + .45B$$

where

- A** is the city fuel consumption rating (based on the number of litres of fuel, other than E85*, per 100 kilometres) for automobiles of the same model with the same attributes as the automobile, as determined by reference to data published by the Government of Canada under the EnerGuide mark, or, if no rating can be so determined that would apply to the automobile, by reference to the best available data, which may include the city fuel consumption rating for the most similar model and attributes; and
- B** is the highway fuel consumption rating (based on the number of litres of fuel, other than E85*, per 100 kilometres) for automobiles of the same model with the same attributes as the automobile, as determined by reference to data published by the Government of Canada under the EnerGuide mark, or, if no rating can be so determined that would apply to the automobile, by reference to the best available data, which may include the highway fuel consumption rating for the most similar model and attributes.

Tax payable by the excise tax licence holder or importer

The excise tax on fuel-inefficient vehicles will be payable by the licensed vehicle manufacturer or wholesaler at the time the automobile is delivered to a purchaser, which in most cases will be the retail automotive dealer. For automobiles imported by persons not holding an excise tax licence, the tax will be payable by the importer at the time of importation. The tax will not apply to automobiles that are manufactured in Canada and exported for sale in other countries, or to automobiles that are imported and subsequently exported.

The remittance of tax and filing of returns will be done in accordance with the existing requirements of the Act.

Payment to end-users of specially equipped vans

If the fuel-inefficient vehicle tax has been paid on a van, the CRA may pay an amount equal to the tax to the first final consumer of the van as follows:

- if the van was manufactured or produced in Canada, and at the time of the acquisition of the van by the person or within six months after that time, the van has been equipped with a device designed exclusively to assist in placing a wheelchair in the van without having to collapse the wheelchair; or
- if the van was imported, after the importation and at the time of importation, the van was equipped with a device designed exclusively to assist in placing a wheelchair in the van without having to collapse the wheelchair;

provided that the person applies for this payment within two years after acquiring the van.

* Certain automobiles known as flex-fuel vehicles are capable of using both E85 ethanol and unleaded gasoline. For purposes of this tax, only the unleaded gasoline fuel-efficiency rating will be used.

To claim this payment, persons should complete form N15, *Application for Refund/Deduction of Excise Taxes*, and send it to the Summerside Tax Centre.

Effective date of the tax

The fuel-inefficient vehicle tax will apply to automobiles delivered or imported after March 19, 2007. The inventory of vehicles held by dealers on March 19, 2007 will not be subject to the tax, allowing dealers to sell these automobiles to final consumers without the application of the tax. As well, automobiles for which an agreement in writing between a dealer and a final consumer was entered into before March 20, 2007 will not be subject to the tax, provided the final consumer takes possession of the vehicle before October 2007.

For imported vehicles, the tax will only apply to automobiles first put into service on or after March 20, 2007. An automobile is considered to be put into service at the earliest of:

- the date the automobile is registered with a motor vehicle authority;
- the date it is plated;
- the date on which the automobile's warranty has been put in place; or
- the date the automobile is appropriated by a dealer for their own use.

The onus is on the importer to provide proof acceptable to the Canada Border Services Agency to demonstrate the date on which the automobile entered into service for purposes of tax determination.

The heavy vehicle weight tax is repealed effective March 20, 2007.

The Notice of Ways and Means Motion is available on the Department of Finance Web site at the following address: www.fin.gc.ca/drleg/wmmBud071_e.html.

Should you have any questions about this notice, please contact the excise tax information line at 1-866-330-3304.